

02

QUARTERLY REPORT

LICENSEE HARRAH'S CASINO HOTEL , ATLANTIC CITY

ADDRESS 777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

~~FOR THE~~ **FOR THE QUARTER ENDED MARCH 31, 2005**

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

NAME OF OFFICER IN
CHARGE OF
CORRESPONDENCE
REGARDING THIS
QUARTERLY REPORT

ANTHONY P. RODIO

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE AND ADMINISTRATION

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

BALANCE SHEETS

AS OF MARCH 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents	\$ 35,897	\$ 30,338
2	Short-Term Investments.....	0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2005, \$896; 2004, \$920).....	5,823	5,415
4	Inventories (Note 2).....	1,145	1,281
5	Prepaid Expenses and Other Current Assets (Note 4 and 12).....	11,032	5,316
6	Total Current Assets.....	53,897	42,350
7	Investments, Advances, and Receivables (Note 5).....	532,801	461,695
8	Property and Equipment - Gross (Notes 2 and 6).....	843,084	792,276
9	Less: Accumulated Depreciation and Amortization (Notes 2 and 6).....	(311,224)	(298,318)
10	Property and Equipment - Net (Note 2 and 6).....	531,860	493,958
11	Other Assets (Note 7).....	8,035	9,693
12	Total Assets.....	\$ 1,126,593	\$ 1,007,696
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 4,485	\$ 1,158
14	Notes Payable.....	0	0
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	0	0
16	Other.....	0	0
17	Income Taxes Payable and Accrued (Note 2).....	94	0
18	Other Accrued Expenses (Note 8).....	84,648	22,243
19	Other Current Liabilities.....	182	216
20	Total Current Liabilities.....	89,409	23,617
	Long-Term Debt:		
21	Due to Affiliates (Note 9).....	650,000	650,000
22	Other	0	0
23	Deferred Credits (Note 12).....	2,548	922
24	Other Liabilities (Note 10).....	41,408	41,242
25	Commitments and Contingencies		
26	Total Liabilities.....	783,365	715,781
27	Stockholders', Partners', or Proprietor's Equity.....	343,228	291,915
28	Total Liabilities and Equity.....	\$ 1,126,593	\$ 1,007,696

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	2005	2004
	Revenue:		
1	Casino	\$ 103,820	\$ 107,444
2	Rooms	10,499	10,951
3	Food and Beverage	11,709	12,485
4	Other	2,028	1,569
5	Total revenue	128,056	132,449
6	Less: Promotional Allowance (Note 2)	28,239	32,778
7	Net revenue	99,817	99,671
	Costs and Expenses:		
8	Cost of goods and services	51,019	51,578
9	Selling, general, and administrative	11,348	9,114
10	Provision for doubtful accounts	126	60
11	Total costs and expenses	62,493	60,752
12	Gross Operating Profit	37,324	38,919
13	Depreciation and amortization	9,142	8,151
	Charges from affiliates other than interest:		
14	Management Fees	0	0
15	Other Note 3	3,060	2,919
16	Income (Loss) from Operations	25,122	27,849
	Other Income (Expenses):		
17	Interest (expense) - affiliates (Note 9)	(13,000)	(13,000)
18	Interest (expense) - external	0	0
19	Investment alternative tax and related income (expense) - net	(892)	(848)
20	Nonoperating Income (expense) - net	(162)	45
21	Total other income (expenses)	(14,054)	(13,803)
22	Income (Loss) Before Income Taxes and Extraord. Items	11,068	14,046
23	Provision (credit) for income taxes (Note 2)	1,531	3,324
24	Income (Loss) Before Extraordinary Items	9,537	10,722
25	Extraordinary items (net of income taxes - 2005, \$0; 2004, \$0)	0	0
26	Net Income (Loss)	\$ 9,537	\$ 10,722

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004
AND THE THREE MONTHS ENDED MARCH 31, 2005

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2003	\$165,954	\$115,239	\$0	\$281,193
2	Net Income - 2004		52,498		\$52,498
3	Capital Contributions				
4	Capital Withdrawals		0		\$0
5	Partnership Distributions				
6	Prior Period Adjustments		0		\$0
7					
8					
9					
10	Balance, December 31, 2004	165,954	167,737	0	333,691
11	Net Income - 2005		9,537		\$9,537
12	Capital Contributions				
13	Capital Withdrawals		0		\$0
14	Partnership Distributions				
15	Prior Period Adjustments		0	0	\$0
16					
17					
18					
19	Balance, March 31, 2005	\$165,954	\$177,274	\$0	\$343,228

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2005	(d) 2004
1	Net Cash Provided (Used) by Operating Activities	\$ 7,271	\$ 639
	Cash Flows from Investing Activities:		
2	Purchase of short-term investment securities	0	0
3	Proceeds from the sale of short-term investment securities	0	0
4	Cash outflows for property and equipment	(14,205)	(13,866)
5	Proceeds from disposition of property and equipment	76	12
6	Purchase of casino reinvestment obligations	(1,266)	(1,336)
7	Purchase of other investments and loan advances made	0	0
8	Proceeds from disposal of investments and collection of advances and long-term receivables	0	1,772
9	Cash outflows to acquire business entities	0	0
10	Write Off Abandoned Projects	52	0
11		0	0
12	Net Cash Provided (Used) by Investing Activities	(15,343)	(13,418)
	Cash Flows from Financing Activities:		
13	Cash proceeds from issuance of short-term debt	0	0
14	Payments to settle short-term debt	0	0
15	Cash proceeds from issuance of long-term debt	0	0
16	Costs of issuing debt	0	0
17	Payments to settle long-term debt	0	0
18	Cash proceeds from issuing stock or capital contributions	0	0
19	Purchases of treasury stock	0	0
20	Payments of dividends or capital withdrawals	0	0
21	Transfer to Affiliates	0	0
22			
23	Net Cash Provided (Used) by Financing Activities	0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents	(8,072)	(12,779)
25	Cash and Cash Equivalents at Beginning of Period	43,969	43,117
26	Cash and Cash Equivalents at End of Period	\$ 35,897	\$ 30,338
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
	Cash Paid During Period for:		
27	Interest (net of amount capitalized)	\$ 0	\$ 0
28	Income Taxes	\$ 1,437	\$ 1,435

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE

HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2005	(d) 2004
	Net Cash Flows From Operating Activities:		
29	Net Income (loss)	\$ 9,537	\$ 10,722
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property & equipment	9,141	8,151
31	Amortization of other assets	1	(1)
32	Amortization of debt discount or premium	0	0
33	Deferred income taxes - current	0	0
34	Deferred income taxes - noncurrent	(1,779)	0
35	(Gain) loss on disposition of property & equipment	(26)	8
36	(Gain) loss on casino reinvestment obligation	0	0
37	(Gain) loss from other investment activities	0	0
38	Net (increase) decrease in receivables and patrons checks	326	389
39	Net (increase) decrease in inventories	371	318
40	Net (increase) decrease in other current assets	1,757	2,249
41	Net (increase) decrease in other assets	141	505
42	Net increase (decrease) in accounts payables	(8,215)	(461)
43	Net increase (decrease) in other current liabilities excluding debt	12,297	1,413
44	Net increase (decrease) in other noncurrent liabilities excluding debt	299	(90)
45	Net (increase) decrease in other receivables or advances	(16,579)	(22,564)
46			
47	Net Cash Provided (Used) by Operating Activities	\$ 7,271	\$ 639
	SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
	Acquisition of Property and Equipment:		
48	Additions to property and equipment	\$ 14,205	\$ 13,866
49	Less: capital lease obligations incurred	0	0
50	Cash Outflows for Property and Equipment	\$ 14,205	\$ 13,866
	Acquisition of Business Entities:		
51	Property and equipment acquired	\$	\$
52	Goodwill Acquired		
53	Net assets acquired other than cash, goodwill, and property and equipment		
54	Long-term debt assumed		
55	Issuance of stock or capital invested		
56	Cash Outflows To Acquire Business Entities	\$	\$
	Stock Issued or Capital Contributions:		
57	Total issuance of stock or capital contributions	\$	\$
58	Less: issuances to settle long-term debt, and		
59	Consideration in acquisition of business entities		
60	Cash Proceeds from Issuing Stock or Capital Contributions	\$	\$

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

9/6/05

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED MARCH 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	100,528	\$ 8,756	-	\$ -
2	Food	439,000	4,390	-	-
3	Beverage	1,372,400	3,431	-	-
4	Travel	-	-	19,666	1,947
5	Bus Program Cash	17,867	179	-	-
6	Other Cash Complimentaries	869,989	10,875	-	-
7	Entertainment	17,800	356	-	-
8	Retail & Non-Cash Gifts	50,400	252	52,284	261
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	2,867,984	\$ 28,239	71,950	\$ 2,208

FOR THE THREE MONTHS ENDED MARCH 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	100,528	\$ 8,756	-	\$ -
2	Food	439,000	4,390	-	-
3	Beverage	1,372,400	3,431	-	-
4	Travel	-	-	19,666	1,947
5	Bus Program Cash	17,867	179	-	-
6	Other Cash Complimentaries	869,989	10,875	-	-
7	Entertainment	17,800	356	-	-
8	Retail & Non-Cash Gifts	50,400	252	52,284	261
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	2,867,984	\$ 28,239	71,950	\$ 2,208

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Marina Associates and Subsidiary (the "Partnership") operates as a General Partnership and owns and operates a casino hotel resort located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. The Partnership is an indirect, wholly-owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). A substantial portion of the Partnership's revenues is derived from gaming and supporting hotel operations.

The Partnership is licensed to operate the facility by the New Jersey Casino Control Commission (the "CCC") and is subject to rules and regulations established by the CCC. The Partnership's license is subject to renewal every four years with the current license expiring in April 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the account balances of the Partnership and its wholly-owned subsidiary, Reno Crossroads LLC ("Reno"). As a result, all material intercompany transactions and balances have been eliminated in consolidation.

Allowance for Doubtful Accounts - The Partnership reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the allowance for bad debts.

Inventories - Inventories of provisions and supplies are valued at the lower of average cost, or market.

Land, Buildings and Equipment - Land, buildings, and equipment are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at Harrah's overall weighted-average borrowing rate of interest.

Improvements and repairs that extend the life of the asset are capitalized. Building improvements are depreciated over the remaining life of the building. Maintenance and repairs are expensed as incurred.

Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Land improvements	12 years
Buildings and improvements	30 to 40 years
Furniture, fixtures and equipment	3 to 12 years

The Partnership reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Partnership in performing this

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Investments in Subsidiaries - During 1999, the Partnership, through its wholly owned subsidiary Reno Crossroads LLC ("Reno"), acquired a parcel of land in Reno, Nevada for approximately \$10,325. The existing facilities located on the parcel site were demolished and a new plaza was constructed on the site at a cost of approximately \$2,365. On February 1, 2000, Reno entered into an agreement to lease this parcel of land to HOC for a period of twenty years at a fixed rent of \$1,120 per year.

Financial Instruments - The carrying amount of receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority ("CRDA") bonds and deposits approximately reflect their fair value based upon their below market interest rates. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates

CRDA Real Estate Project - The Partnership's investment in its CRDA real estate project (the "Project") consists of various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City, NJ. Based upon an agreement with the CRDA, the Partnership may sell certain parts of the Project and will operate certain other parts for a period of up to 20 years.

Income or loss from the operation of the Project is included in the results of operations. Buildings are being depreciated using the straight-line method based on an estimated useful life of 27.5 years.

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

Casino Promotional Allowances - Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following at March 31:

	<u>2005</u>	<u>2004</u>
Food and beverage	\$ 5,572	\$ 5,911
Rooms	3,188	3,779
Other	836	409
Other Cash Complimentaries	<u>10,574</u>	<u>13,392</u>
	<u>\$ 20,170</u>	<u>\$ 23,491</u>

Income Taxes - The accompanying consolidated financial statements do not include a provision for federal income taxes, since any income or losses allocated to the partners are reportable for federal income tax purposes by each partner.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership files a state income tax return on behalf of the partners. Accordingly, the accompanying consolidated financial statements include a provision for state income taxes.

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Partnership to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Partnership participates with HOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by HOC on a consolidated basis. The Partnership believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis.

Certain of the more significant intercompany relationships between the Partnership and HOC are discussed in this footnote.

Cash Activity with HOC and Affiliates - The Partnership transfers cash in excess of its operating and regulatory needs to HOC on a daily basis. Cash transfers from HOC to the Partnership are also made based upon the needs of the Partnership to fund daily operations, including accounts payable and payroll, as well as capital expenditures. No interest is earned on the amount shown as due from affiliates, net, in the accompanying consolidated financial statements.

Administrative and Other Services - The Partnership is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Partnership was charged \$3,060 and \$2,919 for these services for the three months ended March 31, 2005 and 2004, respectively. The fee is included in changes from affiliates in the accompanying consolidated statements of income.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Amended

8/24/05

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expenses and Other Current Assets as of March 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Prepaid State Income Tax	5,953	788
Prepaid Air Charters	2,718	2,699
Prepaid Taxes	549	558
Prepaid Marketing	907	483
Prepaid Other	780	659
Prepaid Insurance	<u>125</u>	<u>129</u>
	<u><u>\$11,032</u></u>	<u><u>\$ 5,316</u></u>

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivables as of March 31, consisted of the following:

	<u>2005</u>	<u>2004</u>
Due from Affiliates	\$ 518,916	\$ 450,787
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of \$1,500 and \$913 at March 31, 2005 and 2004, respectively	9,421	5,598
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of \$3,632 and \$3,771 at March 31, 2005 and 2004, respectively	3,891	4,227
Other	573	1,022
Notes Receivable	<u>0</u>	<u>61</u>
	<u><u>\$532,801</u></u>	<u><u>\$461,695</u></u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Due from Affiliates as of March 31 consisted of the following unsecured, non-interest bearing intercompany amounts:

	<u>2005</u>	<u>2004</u>
Harrah's New Jersey, Inc.	\$ 18,962	\$ 18,962
I/C- Embassy Suites	475,018	409,265
Northeast Regional Office	4,856	5,728
Harrah's Lake Tahoe	132	132
Embassy Suites, Inc.	1,940	1,940
Harrah's Del Rio	202	185
Harrah's Reno	5,535	4,459
Harrah's Las Vegas	-	54
Bill's Casino	111	111
Harrah's Vicksburg	23	23
Harrah's Joliet	342	346
Harrah's New Orleans	1	1
Harrah's Shreveport	1	14
Harrah's St. Louis	74	74
Harrah's North Kansas City	-	43
Harrah's Cherokee	761	720
Harrah's Prairie Band	8	21
Showboat Atlantic City	9,860	7,922
Harrah's Tunica	225	6
Harrah's Ak Chin	43	14
Harrah's East Chicago	729	655
Harvey's	46	65
Harrah's Gold Card	47	47
	<u>\$518,916</u>	<u>\$450,787</u>

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

Land, Buildings and Equipment as of March 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Land and Land Improvements	\$ 93,082	\$ 74,989
Buildings, Leaseholds and Improvements	555,980	522,896
Furniture, Fixtures and Equipment	178,192	180,565
Construction in Progress	15,830	13,826
	843,084	792,276
Less Accumulated Depreciation	(311,224)	(298,318)
Property and Equipment, Net	<u>\$531,860</u>	<u>\$493,958</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 7 - OTHER ASSETS

Other Assets as of March 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Deposits	\$ 42	\$ 43
Deferred Other	15	15
Long-term Portion of Prepaid Insurance	87	113
Long-term Portion of Prepaid Other	-	13
Deferred and Prepaid CRDA Obligations	<u>7,891</u>	<u>9,509</u>
	<u>\$ 8,035</u>	<u>\$ 9,693</u>

NOTE 8 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of March 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Accrued Salaries, Wages and Benefits	\$7,108	\$ 6,325
Taxes Payable	2,850	3,417
Accrued In-House Progressive Slot Liability	228	177
Accrued City Wide Progressive Slot Liability	464	379
Accrued Interest, Long-term debt	65,000	4,333
Accrued Casino Control Commission / Department		
Gaming Enforcement Casino License Fees	554	299
Other Accrued Expenses	<u>8,444</u>	<u>7,313</u>
	<u>\$84,648</u>	<u>\$22,243</u>

NOTE 9 - LONG-TERM DEBT

Long-term Debt as of December 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Promissory Note	<u>\$650,000</u>	<u>\$650,000</u>

On October 31, 2001, the Partnership and HOC consummated a promissory note for \$650,000. All principal and interest outstanding on the promissory note is due and payable on demand to HOC. Interest is computed on an annual basis using 360 days for the actual number of days elapsed during a year, and an annual rate of 8%. Any amount of principal not paid by the Partnership to HOC when due will bear an additional 2% annual interest rate. As of March 31, 2005 and 2004, there was accrued interest of \$65,000 and \$4,333, respectively, on the balance sheet related to the intercompany note. Prior to December 31, 2003 accrued interest was paid by the Partnership on a monthly basis. During 2004 the methodology was changed to pay accrued interest on an annual basis. On March 12, 2003 the 8% Promissory Note was assigned to Harrah's Entertainment Limited. Neither the term nor the amount of the debt was affected by this assignment.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Amended

8/24/05

NOTE 10 - OTHER LIABILITIES

Other Liabilities as of March 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Due to Affiliates, Long-term	\$40,201	\$39,806
Other	<u>1,207</u>	<u>1,436</u>
	<u>\$41,408</u>	<u>\$41,242</u>

Due to Affiliates at March 31 consisted of the following unsecured, non-interest bearing inter-company accounts:

	<u>2005</u>	<u>2004</u>
Harrah's Holdings, Inc.,	\$ 603	\$ 603
Harrah's Atlantic City, Inc.	38,855	38,855
Harrah's Jazz Casino	19	55
Harrah's Las Vegas	39	-
Harrah's Kansas City	392	-
Harrah's Holiday Inns of New Jersey, Inc.	<u>293</u>	<u>293</u>
	<u>\$40,201</u>	<u>\$39,806</u>

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation - The Partnership is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Partnership's financial position or results of operations.

Insurance Reserve - The Partnership is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets includes insurance allowances of \$173 and \$326 as of March 31, 2005 and 2004, respectively. Actual results may differ from these reserve amounts.

CRDA Investment Obligation - The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Partnership may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below market rates. The Partnership includes CRDA investment bonds and funds on deposit in deferred charges and other non-current assets in the accompanying balance sheets totaling \$3,891 and \$9,421, respectively, at March 31, 2005 and \$4,227 and \$5,599, respectively, at March 31, 2004. The Partnership records charges to operations to reflect the estimated net realizable value of its CRDA investment.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

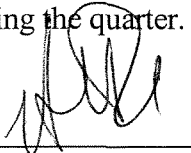
To satisfy current Atlantic City obligations as well as those projected beyond the year 2003, the Partnership received approval from the CRDA for a qualified direct investment project to construct various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City ("CRDA real estate project") at an estimated cost to the Partnership of approximately \$54,573. As of March 31, 2005 and 2004, approximately \$7,529 and \$9,509, respectively, represents a prepayment of the Partnership's future obligations to the CRDA related to the CRDA real estate project. The prepaid asset is being amortized over the related Atlantic City obligation period and is included in deferred charges and other non-current assets in the accompanying balance sheets.

The Partnership has committed \$11,986 of its current and future CRDA deposit obligations for the refurbishment of the Atlantic City Convention Center. The amount was to be amortized on a straight-line basis over a 15-year period commencing September 2001. At March 31, 2005 and 2004, approximately \$168 and \$829, respectively, of additional funds have been earmarked for the refurbishment and included in the deferred charges and other noncurrent assets balance on the balance sheets.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

STATEMENTS OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this Quarterly Report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Vice President of Finance and Administration
Title

002895-11
License Number

On Behalf of:

Marina Associates
Casino Licensee

CCC-249